

House File 2268 - Introduced

HOUSE FILE 2268
BY COMMITTEE ON HUMAN
RESOURCES

(SUCCESSOR TO HF 2082)

A BILL FOR

1 An Act providing an individual income tax credit for qualified
2 adoption expenses paid or incurred in connection with
3 certain adoptions and including retroactive applicability
4 provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. **422.12A Adoption tax credit.**

2 1. For purposes of this section, unless the context
3 otherwise requires:

4 *a. "Adoption"* means the permanent placement in this state of
5 an eligible individual by the department of human services, by
6 a licensed agency under chapter 238, by an agency that meets
7 the provisions of the interstate compact in section 232.158, or
8 by a person making an independent placement according to the
9 provisions of chapter 600.

10 *b. "Child with special needs"* means an individual,
11 regardless of citizenship, who is under the age of eighteen
12 years and who has been determined by the department of human
13 services prior to the finalization of the adoption to be a
14 child with physical or mental disabilities or an older or
15 otherwise hard-to-place child. A child shall not fail to
16 qualify as a child with special needs because the person
17 adopting the child does not receive financial assistance
18 pursuant to section 600.17.

19 *c. "Eligible individual"* means an individual who is under
20 the age of eighteen years, or an individual who is unable, by
21 reason of physical or mental disability, to live independently.

22 *d. "Qualified adoption expenses"* means unreimbursed
23 expenses paid or incurred in connection with the adoption
24 of an eligible individual, including medical and hospital
25 expenses of the biological mother which are incident to the
26 eligible individual's birth, welfare agency fees, legal fees,
27 and all other fees and costs which relate to the adoption of
28 an eligible individual. *"Qualified adoption expenses"* does not
29 include expenses paid or incurred in violation of state or
30 federal law.

31 2. The taxes imposed under this division, less the credits
32 allowed under section 422.12, shall be reduced by an adoption
33 tax credit equal to the amount of qualified adoption expenses
34 paid or incurred by the taxpayer during the tax year in
35 connection with the adoption of an eligible individual by the

1 taxpayer, not to exceed two thousand five hundred dollars per
2 adoption, or five thousand dollars if the adopted eligible
3 individual is a child with special needs.

4 3. Any credit in excess of the tax liability is refundable.
5 In lieu of claiming a refund, the taxpayer may elect to have
6 the overpayment shown on the taxpayer's final, completed return
7 credited to the tax liability for the following tax year.

8 4. The department of revenue and the department of human
9 services shall each adopt rules to jointly administer this
10 section.

11 Sec. 2. Section 422.9, subsection 2, paragraph c, Code 2014,
12 is amended to read as follows:

13 c. Add the amount by which expenses paid or incurred
14 in connection with the adoption of a child by the taxpayer
15 exceed three percent of the net income of the taxpayer, or of
16 the taxpayer and spouse in the case of a joint return. The
17 expenses may include medical and hospital expenses of the
18 biological mother which are incident to the child's birth and
19 are paid by the taxpayer, welfare agency fees, legal fees, and
20 all other fees and costs relating to the adoption of a child if
21 the child is placed by a child-placing agency licensed under
22 chapter 238 or by a person making an independent placement
23 according to the provisions of chapter 600. If the taxpayer
24 claims an adoption tax credit under section 422.12A, the
25 taxpayer shall recompute for purposes of this subsection the
26 amount of the deduction by excluding the amount of qualified
27 adoption expenses, as defined in section 422.12A, used in
28 computing the adoption tax credit.

29 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
30 retroactively to January 1, 2014, for tax years beginning on
31 or after that date.

32 EXPLANATION

33 The inclusion of this explanation does not constitute agreement with
34 the explanation's substance by the members of the general assembly.

35 This bill provides an individual income tax credit equal to

1 the amount of qualified adoption expenses paid or incurred by a
2 taxpayer during the tax year in connection with the adoption of
3 an eligible individual. The tax credit cannot exceed \$2,500
4 per adoption, or \$5,000 if the adopted eligible individual is a
5 child with special needs.

6 The adoption of a person qualifies for the tax credit if
7 the adoption is completed by the department of human services,
8 a child-placing agency licensed under Code chapter 238, an
9 agency complying with the interstate compact on placement of
10 children in Code section 232.158, or a person petitioning
11 for an independent placement according to the provisions of
12 Code chapter 600, and if the person to be adopted is to be
13 permanently placed in this state and is either less than 18
14 years old or unable to live independently because of physical
15 or mental disability.

16 "Child with special needs" means an individual, regardless
17 of citizenship, who is under 18 years of age and who has been
18 determined by the department of human services prior to the
19 finalization of the adoption to be a child with physical or
20 mental disabilities or an older or otherwise hard-to-place
21 child, regardless of whether the person adopting the child
22 receives financial assistance pursuant to Code section 600.17.

23 In order to be "qualified adoption expenses" the expenses
24 must be paid or incurred by the taxpayer during the tax year,
25 unreimbursed, and connected with the adoption. "Qualified
26 adoption expenses" include medical and hospital expenses of
27 the biological mother which are incident to the birth of
28 the adopted individual, welfare agency and legal fees, and
29 all other fees and costs relating to the adoption of the
30 individual. "Qualified adoption expenses" does not include
31 expenses paid or incurred in violation of state or federal law.

32 Under Iowa law, a taxpayer may claim an itemized deduction
33 for the amount of adoption expenses that exceed 3 percent
34 of the net income of the taxpayer. The bill provides that
35 taxpayers who claim the itemized deduction are required

1 to reduce that deduction by the amount of expenses used to
2 calculate the adoption tax credit.

3 Any credit in excess of the taxpayer's liability is
4 refundable or may be carried forward one tax year at the
5 election of the taxpayer.

6 The bill applies retroactively to tax years beginning on or
7 after January 1, 2014.